

Update on Economic Development Revolving Fund

The Economic Development Revolving Fund (“EDRF”) was established in 2003 through the Statewide Economic Development Finance Act. It is the revolving fund created for making economic development loans. Currently, the EDRF is used solely to fund loan participations. A loan participation allows NMFA to participate in a business loan by buying a portion of a loan made by a local bank.

Currently, the EDRF is segregated into two sub-accounts to account separately for State and Federal Appropriations:

\$5.1 million in net State Appropriations

\$10 million General Fund appropriation in 2005; \$5 million was reverted for solvency in 2010

\$2 million appropriation in 2007; \$1.9 million was reverted for solvency in 2011

\$13,168,350 in Federal funds has been received through the State Small Business Credit Initiative (SSBCI) which NMFA operates under an MOU with the New Mexico Economic Development Department.

Smart Money Loan Participation

The State-funded program allows NMFA to purchase interests in loans made by banks to private for-profit and not-for-profit entities; borrowers must agree to hire a specific number of employees in exchange for the financing. The program was created in 2005 and NMFA made its first loan a year later.

NMFA may purchase up to 49% interest in any one loan as long as the borrower agrees to create at least 1 job per \$50,000 of Smart Money borrowed. NMFA shares equally with the bank in collateral used to secure the loan

Prior to accepting an application, the New Mexico Economic Development Department must first determine that the project serves an economic development purpose and is suitable for financing.

Borrower	Project Name	Location	Lead Bank	Maximum Loan Amount	Principal Payments Received	Interest Payments Received	Comments	Jobs Created
<i>Smart Money Net Appropriations: \$5,100,000</i>								
PreCheck, Inc.	PreCheck	Alamogordo	Bank 54	\$ 849,592	\$ 849,592	\$ 282,844	Paid in Full	95
Western Woods	Western Woods	Raton	International Bank	\$ 1,274,000	\$ 40,141	\$ 412,259	Paid as Agreed	25
Plaza Ilfeld	Plaza Hotel	Las Vegas	Valley National Bank	\$ 1,650,000	\$ 790,478	\$ 175,055	Liquidation	32
Resources for Children & Youth Inc.	New America Schools	Las Cruces	Century Bank	\$ 1,319,570	\$ 99,696	\$ 78,549	Current	31
Landmark at Desert Gardens	Desert Gardens	Hobbs	Western Commerce Bank	\$ 576,000	\$ 36,444	\$ 54,086	Current	6
Total				\$ 5,669,162	\$ 1,816,351	\$ 1,002,792		189

Collateral Support Participation Program

In January 2012, the New Mexico received \$13.2 million in funding made available through the Federal Small Business Jobs Act of 2010. The program is overseen by the US Dept. of Treasury. The State is required to leverage 10 private dollars for each federal SSBCI dollar loaned by December 31, 2016.

The funds are intended to help mitigate bank risk and increase the flow of capital to small businesses. New Mexico uses the funds to help provide funding where Smart Money has been unable to help.

Under current market conditions, there is a very strong appetite for subordinated participations whereby the bank is able to gain a senior interest in the collateral. Due to Anti-Donation concerns, NMFA can only fund these participations using federal SSBCI funds

Borrower	Project Name	Location	Lead Bank	Maximum Loan Amount	Interest Payments Received	Principal Payments Received	Obligations Made thru 6-30-2015	Status as of 6-30-2015
<i>Collateral Support Beginning Balance (\$4,345,556 first tranche, \$4,345,555 second tranche and \$4,477,239 third tranche)</i>								
Administrative Set Aside				\$ 481,961				
NEAR, LLC	Rio Grande Medical Center	Las Cruces	Wells Fargo	\$ 1,000,000	\$ 102,480	\$ 59,810	\$ 1,000,000	Current
MW Holdings, LLC (Construction)	Bicycle Technology International	Santa Fe	Wells Fargo	\$ 1,256,000	\$ 27,524	\$ 1,144,869	\$ 2,256,000	Paid in Full
(StarCryo Construction)	StarCryo	Santa Fe	Los Alamos National Bank	\$ 120,000	\$ 178	\$ 7,209	\$ 2,376,000	Paid in Full
Cryoelectronics (P.O. LOC)	StarCryo	Santa Fe	Los Alamos National Bank	\$ 80,000	\$ 646	\$ 39,264	\$ 2,456,000	Paid in Full
Circle Seven Properties	Haciendas at Grace Village	Las Cruces	Western Bank of Alamogordo	\$ 357,318	\$ 31,310	\$ 37,773	\$ 2,813,318	Current
Albuquerque Habitat for	Greater Albuquerque Habitat for Humanity	Albuquerque	Wells Fargo	\$ 241,000	\$ 14,104	\$ 12,770	\$ 3,054,318	Current
Village, LLC - LOC	Haciendas at Grace Village	Las Cruces	Western Bank of Alamogordo	\$ 200,000	\$ 7,329	\$ 24,951	\$ 3,254,318	Current
ELRC Properties, LLC	Children's Garden Development Center	Las Cruces	Wells Fargo	\$ 331,678	\$ 16,403	\$ 27,037	\$ 3,585,996	Current
Cooperative Market	Los Alamos Cooperative Market	Los Alamos	Washington Federal	\$ 119,000	\$ 8,474	\$ 5,553	\$ 3,704,996	Current
MW Holdings, LLC (Permanent)	Bicycle Technology International	Santa Fe	Bank of Albuquerque	\$ 1,145,000	\$ 55,491	\$ 46,956	\$ 4,849,996	Current
Permian I, LLC	Hilton Garden	Artesia	Artesia National Bank	\$ 1,479,400	\$ 3,447		\$ 6,329,396	Current
Lock Builders, LLC	Santa Fe Brewing	Santa Fe	New Mexico Bank & Trust	\$ 1,030,049			\$ 7,359,445	Closed 12/2014
Bugman, Inc.	Bugman	Santa Fe	Century Bank	\$ 31,875	\$ 832	\$ 1,031	\$ 7,391,320	Current
Mesa Quemado	Don Juan Auto Body	Santa Fe	Bank of Albuquerque	\$ 89,500	\$ 1,690	\$ 1,585	\$ 7,480,820	Current
Ambience Hospitality	Holiday Inn Express	Albuquerque	Wells Fargo	\$ 450,000	\$ 2,205	\$ 1,095	\$ 7,930,820	Closed 5/2015
Gallup Pipeline and Compliance, LLC	Gallup Pipeline and Compliance, LLC	Gallup	Pinnacle Bank	\$ 25,668	\$ -	\$ -	\$ 7,956,488	Approved 6-2015
Total				\$ 7,956,488	\$ 272,112	\$ 1,409,904		

Looking Ahead

From 2005 to 2011, the NMFA operated its Smart Money Loan Participation Program under the statute that required that projects first receive authorization prior to receiving funds from the EDRF. Only four loans were made during that time period.

In 2011, the Legislature enacted a temporary provision exempting prior legislative authorization for loans made from the EDRF. The legislation was extended and currently sunsets on June 30, 2016.

Over the past four years, with the temporary authorization exemption in place, NMFA has made 16 loans -- four times the number of loans made during the six year term when the exemption did not exist.

The current lending environment is not conducive to a legislative authorization process and the sunset of the provision will likely reduce the use of the program as well as increase the risk of the projects applying.

Extension of this exemption is key to the long-term success of the program.